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BEFORE THE ARIZONA CORPORATION C

COMMISSIONERS

Mike Gleason, Chairman

William A. Mundell

Jeff Hatch-Miller

Kristin K. Mayes

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE
APPLICATION OF UNS ELECTRIC,
INC. FOR APPROVAL OF THE
ESTABLISHMENT OF JUST AND
REASONABLE RATES AND
CHARGES DESIGNED TO REALIZE
A REASONABLE RATE OF RETURN
ON THE FAIR VALUE OF THE
PROPERTIES OF UNS ELECTRIC,
INC.

Docket No. E-04204A-06-0783

Notice and Filing of a

Late-Filed Exhibits

by

Marshall Magruder

24 December 2007

In light of new information in the UNS Electric Reply Post-Hearing Brief of 19 November 2007, these late filed exhibits are submitted with the missing "evidence".

I certify this filing notice has been mailed to all known and interested parties, as shown on the Service List.

Respectfully submitted on this 24th day of December 2007

MARSHALL MAGRUDER

By Marshall Magruder

Marshall Magruder

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Arizona Corporation Commission

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Interested Parties (1 copy each) are filed
this date by mail:

Santa Cruz County Supervisors:
Manny Ruiz, Chairman
Bob Damon, Supervisor
John Maynard, Supervisor
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City of Nogales

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Marshall Magruder Late-Submitted Exhibits for Docket No. E-04204A-06-0783 of 24 December 2007
Page 2 of 12

Late-Filed Exhibits by Marshall Magruder

Part I – Summary and Background

1.1 Summary.

This filing summarizes information that resulted from the new information that came to light in the Reply Post-Hearing Brief by UNS Electric, Inc. (UNSE) of 19 November 2007. This concerns (1) Implementation of Arizona Corporation Commission (ACC) Decision No. 61793, et al, including a scholarship loan program and Citizens Advisory Council in Part II, and (2) Implementation of ACC Decision No. 62011 and completing of 32 utility pole and underground cable Replacement Plans in Part III.

The UNSE Reply Brief stated both concerns lacked evidence. Both were discussed in depth in Magruder pre-filed Testimonies, various cross-examinations, Magruder oral testimony, and Magruder Briefs, without written responses from UNSE until 19 November 2007.¹ Herein is additional collaborative evidence from the record and previously referenced-ACC docketed material. The only new evidence is a response from the Nogales Education Foundation.

These "late filed" exhibits are submitted for the record and for possible consideration by the Administrative Law Judge and potential reference in a later Exception, if necessary. Attempts to obtain this evidence during discovery were denied by UNS Electric.²

1.2 Background and new evidence.

A series of Citizens Utilities' electrical outages in the Santa Cruz service area resulted in the City of Nogales filing a formal complaint to the ACC and opened Docket No. E-01032B-98-0621, "In the Nature of a Complaint by the City of Nogales against Citizens Utilities Company, Santa Cruz Electric Division – Complaint" on 10 October 1998. This resulted in an investigation by the Commission, public comments, evidentiary hearings and Decision No. 61383 of 29 January 1999 that directed Citizens to file an analysis of alternatives and a "plan of action". On 10 February 1999, Citizens filed a "summary of plans and efforts to improve electrical service reliability in Santa Cruz County" in Docket No. E-01032B-98-0621, with a Plan

¹ For references to ACC-docketed evidence concerning the Nogales Settlement Agreement, see Magruder Supplemental Testimony (**Ex. M-23**), 22(27)-26(3); Magruder Surrebutal (**Ex. M-24**), 36(1)-38(9), Magruder Opening Brief, 19(1)-20(9), and Reply Brief, 10-11 and concerning the Commission Settlement Agreement, see **Ex. M-23**, 26(4)-27(4) and 30(1)-35(12), **Ex. M-24**, 38(10)-39(27); Magruder Opening Brief 19(1)-20(9); and Magruder Reply Brief, 11-12.

² Information pertaining to scholarship loans (MM DRs 2.6 and 3.10), Citizens Advisory Council (MM DRs 2.6 and 3.10), and Pole and Cable Replacements (MM DRs 2.8 and 3.12). The response was "UNS Electric objects to this data request, as it is unduly burdensome and outside the scope of this rate case." See Magruder Direct Testimony (**Ex. M-22**, 11-14). Copies of these DRs are in attached **Exhibit M-B**.

of Action on 15 April 1999 with Supplemental Plans on 7 May 1999 and 13 July 1999. The 7 May 1999 Supplemental filing deals with the replacement pole and cable issue.

a. Settlement Agreement between the City of Nogales and Citizens.

The Mayor and Aldermen of the City of Nogales approved a Settlement Agreement that is extensively referenced throughout Magruder's filings in this rate case. This City of Nogales Settlement Agreement, is Exhibit A to Decision No. 61793 (Docket E-01032B-98-0621) as Exhibit A is **Exhibit M-A**. The following are excerpts:

(1). Exhibit **M-A**, Article 9, page 7 states:

"9. Educational Support.

A skilled, knowledgeable work force will be a key to Santa Cruz County's success in the 21st century. Following the Parties execution of this Revised Settlement Agreement, the City and Citizens will work together to develop an educational assistance program to assist worthy Santa Cruz County high-school seniors to attend the Arizona college of their choice. Each year, the program will select one County senior for a four-year, interest free loan to assist with tuition, books, and miscellaneous college expenses. If, following graduation, the student returns to Santa Cruz County to live and work, the loan will be forgiven. Citizens will contribute \$3000 per year, per student, toward this program. Other contributions will be solicited from other benefactors to expand this program even further, such as to cover some portion of room and board, graduate school, or vocational programs." (in Exhibit A to ACC Decision 61793 or 29 June 1999)³ [Emphasis added]⁴

(2). **Exhibit M-A**, Article 3 (Citizens Advisory Council), page 4, has been quoted verbatim in Magruder Testimony.⁵

(3). **Exhibit M-A**, Article 10 (Miscellaneous), page 7, states

"...Citizens' activities under this Revised Settlement Agreement remain subject to the continuing jurisdiction of the Commission, by virtue of Citizens' status as a public service corporation under Arizona law."

And on page 8, states

"...This Revised Settlement Agreement binds the successors and assigns of the Parties. The provisions of this Revised Settlement Agreement are not severable."

Exhibit M-B contains an email from the Nogales Educational Foundation and includes a summary of Citizens Energy Scholarships awarded to date.

Exhibit M-C is copies of UNS Electric's responses to Magruder MM Data Request 2.6 and MM DR 3.10 concerning the Nogales Settlement Agreement, and MM DR 2.8 and MM DR 3.12 concerning the Commission Staff Settlement Agreement.

³ See paragraph 3.4 of the Magruder Reply Brief.

⁴ My later filings stated an incorrect amount of \$3,500 which should be corrected to read \$3,000.

⁵ Magruder Supplemental Testimony (Ex. M-23), footnote 28 at 24(33)-25(32).

1 **b. Settlement Agreement between the ACC Staff and Citizens.**

2 In the ACC Decision and Order No. 62011, the Settlement Agreement between the
3 ACC Staff and Citizens was approved by the Commission, which ordered Citizens Utilities to
4 comply with the requirements of the Settlement Agreement. The "Settlement Agreement
5 between Commission Staff and Citizens Utilities Company" (ACC Docket No, E-01032A-00-
6 0401) approved the Citizens' Plan of Action to address service quality issues in the Santa Cruz
7 service area. The following evidence supports this. [Emphasis added to Plan of Action]

8 (1) The "Settlement Agreement Between Commission Staff and Citizens Utilities Company"
9 (9 August 1999, ACC Docket E-01032A-99-0401) initial paragraphs state:

10 "Citizens Utilities Company ("Citizens") and the Arizona Corporation Commission Staff
11 ("Staff") agree as follows concerning Citizens' Plan of Action to address service quality
12 issues in its Santa Cruz Electric Divisions, Citizens' Analysis of Transmission
13 Alternatives and Citizens' Schedule to construct a second transmission line to serve its
14 Santa Cruz Electric Division Customers.

15 1. Citizens' Plan of Action, as filed on April 15th, 1999, and Supplemented on May
16 7th, 1999, and July 13th, 1999, complies with Decision Nos. 61383 and 61793..."

17 (2) ACC Decision No. 62011, in Findings of Fact 2, states:

18 "2. Decision 61383 (January 9, 1999) directed Citizens to file an analysis of alternatives
19 and Plan of Action to rectify the service problems in the Santa Cruz Electric Division, for
20 approval at Open Meeting, and order that a hearing be held regarding Citizens' request."

21 (3) ACC Decision No. 62011, in Finding of Fact 15, states:

22 15. The [Commission Staff-Citizens] Settlement Agreement **commits** Citizens to a Plan
23 of Action that is in compliance with Decisions No. 61383 and 61793 and incorporates
24 Staff recommendations... The Settlement Agreement states that the Plan of Action
25 includes Citizens' submittal of April 15, 1999, as supplemented on May 7, 1999 and
26 July 13, 1999."

27 (3) The Citizens Plan of Action, "Supplement to Citizens Utilities Company's Santa
28 Cruz Electric Division Transmission Alternatives and Plan of Action" states under "Planned
29 Improvements That are Not Dependent On Construction of Second Transmission Line"

30 "Citizens is currently replacing poles and cable. Attachment IV includes detailed
31 schedules showing the areas where replacements will be made, the number of poles
32 or amount of cable that will be replaced, and the capital expenditures to do so, for the
33 years 1999-2003."

34 (4) **Exhibit M-D**, Citizens Plan of Action Supplement "Attachment IV Citizens Utility
35 Company Pole and Cable Replacements Santa Cruz Electric District, 1999-2003," provides the
same information consolidated in Magruder Testimonies, Tables 5 and 6.⁶

⁶ Magruder Supplemental Testimony, 30(14)-35(12).

1 (5) **Exhibit M-E**, from the "1999 System Improvement Santa Cruz District", excerpt from
2 the Citizens Plan of Action section on "Distribution Circuits Improvements," states:

3 **Overhead Circuits.**

4 The pole replacements are mainly concentrated in the Nogales area. These poles
5 have reached the end of their life cycle. Some of these pole replacements involve the
6 relocation of circuits, as in the case of Circuits 6241 and 6246. Circuit 6241 feeds the
7 west-side of Nogales (and feeds the hospital). Circuit 6241 shares a pole with Circuit
8 6246. By relocating a portion of 6241, Citizens can reduce the stress on the poles and
9 eliminate potential outages due to structural failures. Activation of Circuit 6246 will allow
10 Citizens to split the load of the west-side of Nogales, and increase the ability to back
11 feed 6241 in the even of damage.

12 A major portion of the pole replacements will be done along Highway 82 and into
13 the mountains in the Lochiel area. These poles are also at the end of their useful life
14 cycle. Along with pole replacements, Citizens is utilizing a gas right of way to bring in a
15 loop feed into the Lochiel area. This loop will allow Citizens to sectionalize and isolate
16 damaged portions of line, thereby keeping the highest number of customers in service.

17 **Underground Circuits**

18 Underground cable replacements are concentrated in Rio Rico and Tubac. The
19 Rio Rico Urban 3 area was installed in the early 1970's. This cable was directly buried
20 and is ending its useful life cycle. A significant number of outages occur in this area.
21 Smaller sections of cables need to be replaced in other subdivisions, but not as much
22 as in the above two subdivisions.

23 A significant portion of the cable replacements involves the underground feed to
24 the top of Mount Hopkins. This cable was installed by a contractor in the 1970's, and
25 was also direct buried. This cable has numerous faults. When a fault occurs, locating
26 the faulted section requires an entire crew. It should be noted that because this part of
27 the county is so far from the rest of the service territory, if there is an outage that
28 requires the crew from Nogales, it takes a minimum of an hour for them to get there.

29 The major portion of the replacements in Nogales are in trailer parks. These
30 parks also have cable that was directly buried and have numerous faults. The older
31 sections of Meadow Hills area has the same type of cable installation. Some faults have
32 occurred in this area, and some cable has been replaced as well." [Pages are not
33 numbered in source, underlined for emphasis]

34 (6) The ACC Decision 66615 (9 December 2003), in Docket E-01032A-99-0401, in
35 Finding of Fact No. 11, states:

"11. The Settlement Agreement approved by Decision No. 62011 committed Citizens to
[a] Plan of Action as filed by Citizens on April 15, 1999, and supplemented on May 7
and July, 13, 1999 and incorporating Staff recommendations contained in pre-filed
testimony of those proceedings. The Plan of Action included construction, operation
and maintenance of new distribution infrastructure, improved restoration of service
following transmission outages by use of newly developed restorative switching
protocol, maintaining a distribution system operation center with remote supervisory
control and data acquisition ("SCADA") capability and placing the Valencia generating
units in standby mode during storm season." [Emphasis added]

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Part II

Compliance and Implementation of ACC Decision No. 61793, et al. For the City of Nogales Agreement

2.1 Scholarship loans.

The UNSE Reply Post-Hearing Brief on 35 at 10-20, states:

"UNS Electric briefly addresses two allegations Mr. Magruder makes in his Opening Brief. First, Mr. Magruder states that '[e]ven though Mr. Pignatelli said seven scholarships have been awarded, my School Board contacts in Santa Cruz County state NONE have been awarded in compliance with this agreement. Mr. Magruder's assertion has not been supported by any reliable evidence presented before the close of the evidentiary hearing on October 2, 2007. Regardless, Mr. Pignatelli was correct. UNS Electric has, in fact, awarded seven scholarships to Nogales High School students between 1999 and 2003 through the Nogales Educational Foundation. And, as Mr. Pignatelli stated at the hearing, UNS Electric will provide additional scholarships if that was the agreement. Even though additional scholarships were not agreed upon, UNS Electric has nonetheless committed to fund additional scholarships not only for Nogales High School students, but also Rio Rico High School students over four years." [Emphasis added]

As stated in prefiled and oral Testimonies and Briefs, I discussed the scholarship loans with knowledgeable persons, including the Rico Rico School Unified District No. 35 Superintendent, Dr. Fontes, member of USD 35 School Board Mr. Vandervoet, the former Mayor and Nogales School District No. 1 Superintendent Dr. Verona, USD 1 School Board and County Supervisor Ruiz, and Late Mayor of Nogales Barraza. None have knowledge of any Citizens or UNS Electric-designated scholarships. The City of Nogales Attorney and Assistant were not aware of any scholarship awards. The above witnesses are the basis of my testimonial evidence. The Company did not respond to data requests; see **Exhibit M-C** for copies of Data Requests MM 2.8 and MM 31.10 with UNSE responses.

The UNS Reply Post-Hearing Brief stated involvement of the Nogales Educational Foundation. I contacted the Foundation's founder, retired Nogales High School Principal Mr. Clark who got me in touch with the Foundation, see **Exhibit M-B**. This newly discovered evidence was not reasonable to obtain until the Company's Reply Post-Hearing Brief. My personal and newspaper sources only provided negative evidence.

Information about these scholarship loans from **Exhibit M-B**, identified areas of NON-COMPLIANCE to Article 3 in **Exhibit M-A** which was verified by this new evidence:

1. No scholarships are for four-years.
2. No scholarships have been awarded since 2003 as all were awarded by Citizens.
3. No scholarships were awarded by UNS Electric.
4. All scholarships were awarded to same High School, none to Rio Rico High School
5. Three of the 7 scholarships were awarded to students attending Arizona colleges.

6. Two of the 7 scholarships are the "Jose Canez Memorial/Citizens Energy Scholarships" (included but considered doubtful if associated with the Settlement Agreement)
7. The scholarship "loan" provision to return to Santa Cruz County upon completion was not implemented.
8. There is no evidence that either Citizens or UNS Electric established a "program" to achieve the non-financial requirements of this Article, such as soliciting additional funds, etc.
9. See Table 1 for the total financial details of the scholarship loan program to date.

Table 1 – Financial Status of the Scholarship Loan Program.

Year	Number Awards	Attend Arizona college	Total Awarded this Year	Total To Be Awarded this Yea	Total Awarded To Date	Total To be Awarded to Date	Total Deficient
1999	1	No	\$1,250	\$12,000	\$1,250	\$12,000	\$10,750
2000	2	Yes, Yes	\$4,250	\$12,000	\$5,500	\$24,000	\$18,500
2001	1	No	\$3,000	\$12,000	\$8,500	\$36,000	\$27,500
2002	1	No	\$3,000	\$12,000	\$11,500	\$48,000	\$36,500
2003	2	Yes, No	\$3,500	\$12,000	\$15,000	\$60,000	\$45,000
2004	none	none	0	\$12,000	\$15,000	\$72,000	\$57,000
2005	none	none	0	\$12,000	\$15,000	\$84,000	\$69,000
2006	none	none	0	\$12,000	\$15,000	\$96,000	\$81,000
2007	None	None	0	\$12,000	\$15,000	\$108,000	\$93,000
ANNUALLY, thereafter				\$12,000			

10. The proposed Company's offer in its Reply Post-Hearing Brief limits scholarships to only the next four years. This fails to comply with the ACC Order or the Settlement Agreement. This is a \$3,000 ANNUAL four-year scholarship loan program the Company was aware cost \$12,000 per year when it signed the Agreement, unless the student did not return and it then converted into an interest-free loan.

11. No scholarship "loans" have been paid back to the Company by awardees that failed to return to Santa Cruz County after graduation, contrary to the specified intent established by the City of Nogales when it created this program. At least three named in Exhibit M-B have NOT returned to Santa Cruz County.

Conclusions. UNS Electric awarded NO scholarship loans and none awarded by Citizens were compliant with the City of Nogales – Citizens Agreement or ACC Order.

Recommendations. That a plan to reduce the scholarship award deficit in Table 1 (suggest two four-year \$3,000 scholarship loans per year) be implemented and the "program" mandated by the Settlement Agreement and ACC Order be implemented as intended.

2.2 Citizens Advisory Council. The Company has not re-established this ACC-mandated council. UNS Electric has never held any CAC meetings. The last meeting was in the fall of 2000. The Company did not respond to data requests MM DR 2.6 and MM DR 3.10 concerning the CAC; please see new **Exhibit M-C**.

Conclusions and Recommendations. Same as in Magruder Reply Brief.

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Part III

Implementation of ACC Decision No. 62011, et al
For the Replacements of Utility Poles and Underground Cables

3.1 Replacement of Utility Poles and Underground Cables

- The UNSE Reply Post-Hearing Brief,⁷ states as a second Magruder allegation that
a. Magruder did not present any evidence that these projects had not been completed.⁸

Magruder testimonial evidence under oath and pre-filed testimony showed

- (1) That his subdivision has NOT had its underground lines replaced,
(2) That he personally a cable failure in late August 2005,
(3) That the –Harvard-Smithsonian Mount Hopkins Observatory still does not have all its defective underground feeder cables replaced, see **Exhibit M-E**.

Credible evidence presented in the Magruder Surrebuttal Testimony is based the comprehensive list of work accomplished by the Company since August 2003, and, as testified, none matched any of the 32 replacement pole and cable projects.⁹ The question to the Company to verify of accomplishment of the 32 projects remains unanswered.¹⁰ Negative evidence presented is, of course, weaker as the Company is the best source for this evidence.

- b. Magruder did not cite an agreement that specifically required completion of these specific pole and cable projects.¹¹ These projects are contained in the Plan of Action, see **Exhibit M-D** attached.

- (1) ACC Order No. 61793 states "IT IS FURTHER ORDERED that Citizens shall provide a planned service date and cost benefit analysis for the cost of system components of the second transmission line included in its Plan of Action, as directed by Decision No. 68183..." (at 4 (11-13)) [Emphasis added].
(2) ACC Decision No. 61793, Exhibit A, states "The Commission has asked Citizens to file its plan to address Santa Cruz County electric service issues. Citizens will file the final Service Upgrade Plan for approval in Citizens Separation Docket." (at 4, 5)

⁷ UNS Electric Reply Post-Hearing Brief, 35 (21)-36(8).

⁸ *Ibid.*, 35 (21-24)

⁹ Magruder Supplemental Testimony (Ex. M-23) for replaced utility poles, 31(22)-33(3) and for replaced underground cable at 33(31)-34(23). **Exhibit M-D** provides the evidence that was reformatted in Magruder's Testimonies.

¹⁰ *Ibid.*, (24-27)

¹¹ UNS Electric Reply Post-Hearing Brief, 35 (24-24)

- 1 c. The settlement agreement approved in Decision No. 61793 (June 29, 1999) with the
2 City of Nogales contains no provisions for pole replacements. The Company is
3 confused. The City of Nogales Settlement Agreement, implemented by ACC Decision
4 No. 61793, required Citizens to develop a Plan for ACC Approval,¹² that was in the
5 Commission Staff Settlement Agreement (9 August 1999) and implemented by ACC
6 Decision No. 62011.¹³ The Commission Staff Settlement Agreement contains
7 Attachment IV of the Plan of Action with the pole and cable replacement plans; see
8 the new Magruder **Exhibit M-D** and **Exhibit M-E**. ACC Order No. 62011 implemented
9 the Citizens' Plan of Action.
- 10 d. Footnote 135.¹⁴ These 32 pole and cable replacements projects were not singled out,
11 nor were about 25 additional reliability improvement projects in the Citizens Plan of
12 Action including supplements. All were important, some with high costs, such as \$2.1
13 million for the Nogales Tap switch. The Citizens Supplemental Plan of Action was
14 referenced is held by the Company. The original is at the ACC Docket Control.
- 15 (1) The Company stated "the May 7, 1999 supplemental plan was not **even**
16 **mentioned, let alone required**, per Decision Nos. 61793 or 62011" that is in
17 error, see above quote from ACC Decision No. 62011, Finding of Fact No. 15.
- 18 (2) A copy of the Citizens 7 May 1999 filing (ACC Docket No. E-01032A-98-0611,
19 et al is within UNS Electric's filing on 9 February 2004, in response to
20 "Commission Questions and Updated Outage Response Plan for Santa Cruz
21 County," in the re-opened ACC Docket No. E-01032A-99-0401.
- 22 (3) ACC Decision No. 66615 (9 December 2003) in Finding of Fact No. 11
23 confirmed the continuation of the ACC-approved Settlement Agreement in ACC
24 Order No. 62011, as quoted above, for construction, operation and maintenance
25 of new distribution infrastructure" which, by anyone's basic logic must include
26 the 32 replacement pole and cable programs.
- 27 (4) During the reopened ACC Docket No. E-01032A-99-0401, Magruder Testimony
28 of 8 July 2005 (ACC Docket No. E-01032A-99-0401, Appendix E, discussed the
29 lack of compliance with ACC Orders and other requirements that impact
30 reliability in Santa Cruz County. During those hearings, UNS Electric also
31 denied responding to my Data Requests concerning these same "poles and
32 cables" issues now being adjudicated in this rate case.

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35 ¹² See ACC Decision No. 62011, Finding of Fact No. 2, quoted above and the preceding additional quotes.

¹³ UNS Electric Reply Post-Hearing Brief, 35(25)-36(2)

¹⁴ *Ibid.* 36(19-26).

- 1 e. "Company has developed a target of replacement projects; those projects were also
2 researched and engineered in detail." As requested by Data Requests MM DR 2-8
3 and MM DR 3-10, the Company's denial of responding to requests as to the
4 compliance of these ACC Orders for replacements of deficient utility poles and
5 underground cables has no merit. If such a program exists, why were my Testimonies
6 on this, since 12 July 2007 ignored until this last minute flurry of defensive remarks?¹⁵
7 f. No party supports Mr. Magruder's unfounded assertions on this issue.¹⁶ The other
8 two parties are interested in the usual rate case issues. Neither is concerned with
9 reliability issues in Santa Cruz service area, these ACC Orders, and local factors. It is
10 noted specific actions in ACC Order No. 62011 concern actions that the Commission
11 Staff consider in the "next" rate case.

12 It is utterly amazing that the Company has never responded as to exactly what was, or
13 was not, accomplished in the 32 projects. A continual reluctance to response makes believable
14 doubtful compliance. Further, since Citizens was "for sale" from 1999-2003, expending capital
15 funds for programs appears to be contrary to usual business practices in this situation.

16 It is noted that UNS Electric has not presented any positive evidence that these
17 defective utility poles and underground cables have been replaced for any of these 32
18 projects. This begs the question, what was really accomplished for the over \$15.2 million
19 Company-allocated to fund, Staff-reviewed, Company-agreed, ACC-approved, and publicly-
20 committed by the Company to replace over 6,000 utility poles and over 61,000 feet of
21 underground cables in known areas of unreliable, deficient, defective and/or faulty equipment
22 between 1999 and 2007?

23
24 Conclusions. UNSE read my Closing Brief and determined this issue has merit. The
25 brief snippets in the UNSE's Reply Post-Hearing Brief appear intended to silence him.
26 Unfortunately, Magruder has not let up, as he is positive his subdivision has not had any
27 underground cables replaced other than the one that failed in 2005 to his home, Mount
28 Hopkins still has miles of faulty cables with numerous outages, and UNSE's San Rafael Valley
29 and Mexican customers have a long track record of excessive outages on a long radial feeder
30 circuit that extends for over 100 miles.

31 Recommendations. As stated in the Magruder Closing Brief. I provided some relief from
32 earlier recommendations on this issue, based on discussions with UNSE Vice President Ferry.
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35 ¹⁵ Magruder Supplemental Testimony Ex. M-23), 30(1)-35(12).

¹⁶ UNS Electric Reply Post-Hearing Brief, 36 (7-8)

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- 7 **Exhibit M-A** ACC Decision No. 61793, "City of Nogales, Arizona, Complaint, vs. Citizens
8 Utility Company, Santa Cruz Electric Division" of 29 June 1999 with Appendix A,
9 "Revised Settlement Agreement Between the City of Nogales, Arizona, and
10 Citizens Utilities Company:" of 1 June 1999 (15 pages)
- 11
12 **Exhibit M-B** Email from Ms Romero, Nogales Educational Foundation with an Attachment
13 containing the status of Citizens Energy Scholarships offered by the Foundation
14 (2 pages)
- 15
16 **Exhibit M-C** UNS Electric Responses to Magruder Data Requests MM DR 2.6 and MM DR
17 3.10, and Data Requests MM DR 2.8 and MM DR 3.12 (6 pages)
- 18
19 **Exhibit M-D** Citizens' Plan of Action, filed 7 May 1999, excerpt, "Attachment IV Citizens
20 Utility Company Pole and Cable Replacements Santa Cruz Electric District,
21 1999-2003," (6 pages)
- 22
23 **Exhibit M-E** Citizens' Plan of Action, filed 7 May 1999, excerpt, "1999 System Improvements
24 Santa Cruz District" (4 pages)
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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION
DOCKETED

JUN 29 1999

EXHIBIT

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CARL J. KUNASEK
CHAIRMAN

JIM IRVIN

COMMISSIONER

WILLIAM A. MUNDELL
COMMISSIONER

CITY OF NOGALES, ARIZONA.

Complainant,

vs.

CITIZENS UTILITIES COMPANY, SANTA CRUZ
ELECTRIC DIVISION,

Respondent.

DOCKET NO. E-01032B-98-0621

DECISION NO. 61793

ORDER

Open Meeting
June 22 & 23, 1999
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On October 27, 1998, the City of Nogales, Arizona ("Nogales") filed a complaint with the Arizona Corporation Commission ("Commission") against Citizens Utilities Company ("Citizens") concerning electrical outages in Nogales, Arizona.

2. Citizens provides electric utility service to Nogales and Santa Cruz County pursuant to a certificate of Convenience and Necessity granted by the Commission.

3. In the Complaint, Nogales alleged that numerous electric outages caused by Citizens' failure to adequately maintain its transmission lines and back-up generation capacity have resulted in economic damages to Nogales and its residents and endangered the community's welfare.

4. On November 18, 1998, Citizens filed its Answer to the Complaint.

5. By Procedural Orders dated December 4 and 9, 1998, the Commission scheduled a hearing on the Complaint for January 21, 1999 in Nogales and scheduled a pre-hearing conference for December 29, 1998.

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DOCKET NO. E-01032B-98-0621

6. On December 23, 1998, Nogales filed a Motion to Amend its Complaint. At the December 29, 1998 pre-hearing conference, Nogales requested that the hearing scheduled on January 21, 1999 be continued. Citizens agreed to the continuance. The parties agreed that Citizens would have until March 1, 1999 to file an Answer to the Amended Complaint and that another pre-hearing conference would be held on March 29, 1999 to reschedule the hearing in this matter.

7. On January 21, 1999, the Commission conducted a public comment meeting in Nogales in connection with this matter.

8. On February 16, 1999, the parties filed a settlement agreement with the Commission, and on February 25, 1999, the parties filed a Motion to Approve the Settlement Agreement. The parties requested that the Commission approve the Settlement Agreement without conducting a hearing, and that the Commission consider the matter at its regularly scheduled March 9 and 10, 1999 Open Meeting.

9. In response to the parties' Motion to Approve the Settlement Agreement, the Hearing Officer prepared a Recommended Order dismissing the complaint without prejudice, however, the parties filed exceptions and requested that the recommended order be withdrawn from the Open Meeting agenda.

10. A pre-hearing conference was held on March 29, 1999, at which time the parties represented that they continue to try to resolve the complaint and requested a hearing date be set.

11. By Procedural Order dated April 6, 1999, a hearing was scheduled for June 8, 1999, in Nogales in the event the parties were not able to agree to dismiss the complaint.

12. On June 2, 1999, Nogales filed a Motion to Dismiss Amended Complaint with Prejudice and a copy of a Revised Settlement Agreement between the parties. A copy of the Revised Settlement Agreement is attached hereto as Exhibit A, and incorporated by reference. In its Motion, Nogales asserts that the Revised Settlement Agreement resolves all outstanding claims that were brought or might have been brought in its Amended Complaint against Citizens and requests that the Commission dismiss the Amended Complaint with prejudice.

In the Matter of the Joint Notice of Intent of Citizens Utilities Company, Citizens Telecommunications of the White Mountains, Navajo Communications Company, Inc., Citizens Utilities Rural Company, Inc., Citizens Telecommunications Company, Sun City Sewer Company, Sun City Water Company, Sun City West Utilities Company, Citizens Water Service Company of Arizona, Citizens Water Resources Company of Arizona, Tubac Valley Water Company, Inc. and Electric Lightwave, Inc. to Organize a Public Utility Holding Company and for Related Approvals of Waivers Pursuant to R14-2-801, et seq., Docket Nos. E-01032A-98-0611, T-03214A-98-0611, T-02115B-98-0611, T01954B-98-0611, T-02755A-98-0611, SW-2276A-98-0611, W-01656A-98-0611, WS-02334A-98-0611, W-03454A-98-0611, W-03455A-98-0611, W-01595A-98-0611, T-03054A-98-0611.

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DOCKET NO. E-01032B-98-0621

Docket" to separate into two separate companies. This request has not yet been acted upon.

CONCLUSIONS OF LAW

1. Citizens is a public service corporation within the meaning of A.R.S. § 40-246.
2. The Commission has jurisdiction over Citizens and the subject matter of the Complaint.
3. The parties have resolved their differences and the Complaint should be dismissed with prejudice.

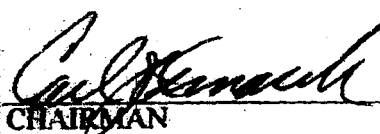
ORDER

IT IS THEREFORE ORDERED that the Amended Complaint filed by the City of Nogales against Citizens Utilities Company is dismissed with prejudice.

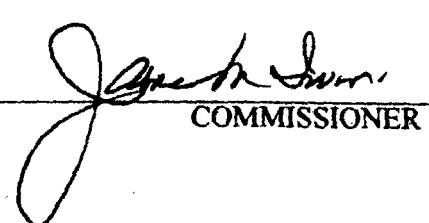
IT IS FURTHER ORDERED that Citizens Utilities Company shall provide a planned service date and cost benefit analysis for the cost of system components of the second transmission line included in its Plan of Action, as directed by Decision No. 68183, in the "Separation Docket".

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

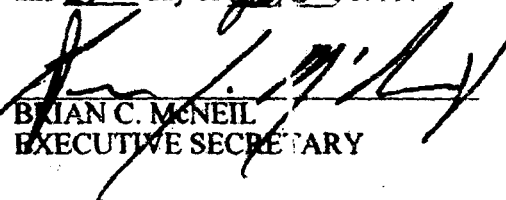
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 27th day of June, 1999.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT _____
JR:dap

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN
COMMISSIONER-CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER

FEB 16 8 56 AM '99

DOCUMENT CONTROL

EXHIBIT

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IN THE MATTER OF A COMPLAINT BY
THE CITY OF NOGALES, ARIZONA
AGAINST CITIZENS UTILITIES
COMPANY, SANTA CRUZ ELECTRIC
DIVISION.

DOCKET NO. E-01032B-98-0621

NOTICE OF FILING

Citizens Utilities Company hereby provides Notice of Filing a Resolution of the Mayor and Board of Aldermen in the City of Nogales, Arizona, Authorizing and Approving a Settlement Agreement with Citizens Utilities Company and Declaring an Emergency in the above-referenced docket.

RESPECTFULLY SUBMITTED February 16th, 1999.

Craig A. Marks

Craig A. Marks
Associate General Counsel
Citizens Utilities Company
2901 N. Central Avenue, Suite 1660
Phoenix, Arizona 85012

Original and ten copies filed this
February 16, 1999, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

CITY OF NOGALES



EXHIBIT

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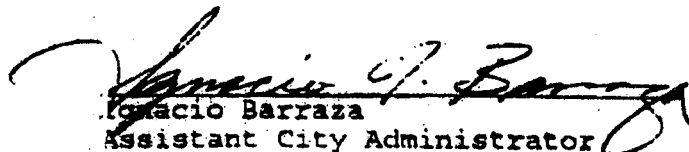
Page 6 of 5

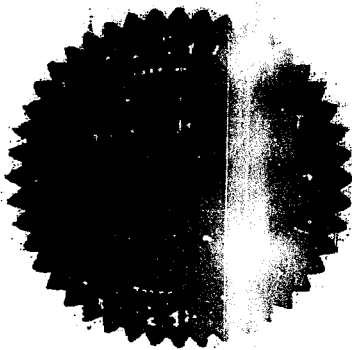
CERTIFICATION

I hereby certify that the foregoing resolution is a true and correct copy of Resolution No. 99-02-16, adopted at the regular/special meeting of the City of Nogales Mayor and Council, held on the 12th day of February, 1999.

I further certify that meeting was duly called and held and that a quorum was present.

Dated this 12th day of February, 1999


Jonacio Barraza
Assistant City Administrator



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RESOLUTION NO. 99-02-16

**A RESOLUTION OF THE MAYOR AND BOARD OF ALDERMEN
OF THE CITY OF NOGALES, ARIZONA, AUTHORIZING AND
APPROVING A SETTLEMENT AGREEMENT WITH CITIZENS
UTILITIES COMPANY; AND DECLARING AN EMERGENCY**

WHEREAS, the City of Nogales filed a Complaint against Citizens Utilities Company ("Citizens") before the Arizona Corporation Commission regarding power outages experienced within the City and other matters; and

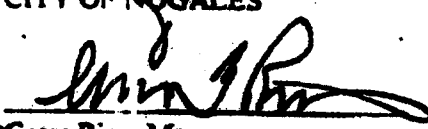
WHEREAS, Citizens and the City have negotiated a proposed Settlement Agreement which addresses the City's claims for compensation and other matters;

NOW, THEREFORE, BE IT RESOLVED by the Mayor and Board of Alderman of the City of Nogales that:

1. That certain Settlement Agreement Between City of Nogales, Arizona and Citizens Utilities Company (the "Agreement") attached hereto and made a part hereof as Exhibit "A" is hereby adopted and approved.
2. That the Mayor be authorized to execute the Agreement, and that City staff be and hereby are authorized to take all necessary and proper steps and actions to implement the Agreement;
3. That an emergency is hereby declared to exist, and this Resolution is hereby exempted from the referendum provisions of the Charter of the City of Nogales, and shall take effect and be in full force and effect from and after its passage and approval.

PASSED, ADOPTED AND APPROVED this 12th day of February, 1999.

CITY OF NOGALES


Cesar Rios, Mayor

ATTEST:


Ignacio Barrera, City Clerk

APPROVED AS TO FORM:


Hugh Holub, City Attorney

BEFORE THE ARIZONA CORPORATION COMMISSION

CARL J. KUNASEK
CHAIRMAN
TONY WEST
COMMISSIONER
JIM IRVIN
COMMISSIONER

EXHIBIT

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IN THE MATTER OF A COMPLAINT BY
THE CITY OF NOGALES, ARIZONA
AGAINST CITIZENS UTILITIES
COMPANY, SANTA CRUZ ELECTRIC
DIVISION.

DOCKET NO. E-01032B-98-0621

**REVISED SETTLEMENT
AGREEMENT BETWEEN CITY OF
NOGALES, ARIZONA, AND
CITIZENS UTILITIES COMPANY**

RECITALS

A. As a result of extensive discussions, the City of Nogales, Arizona ("City"), and Citizens Utilities Company ("Citizens"), (collectively, the "Parties") have agreed to resolve all issues raised in or relating to the City's Complaint before the Arizona Corporation Commission ("Commission").

B. Citizens will be providing compensation to the City and its customers for past damages relating to its provision of electric service by:

1. Funding direct payments to all customers in Santa Cruz County (Article 1);
2. Providing a neutral claims resolution procedure for all customers in Santa Cruz County (Article 2);
3. Funding low income relief for City Residents (Article 6);
4. Funding Santa Cruz County economic-development efforts (Article 7);
5. Funding four-year, interest free, loans for Santa Cruz County high school graduates that will be forgiven if the student returns to live and work in the County (Article 9).

Appendix "A"

DECISION NO.

61793

C. To improve future electric service and improve community relations, Citizens and the City will:

1. Create a Citizens Advisory Council (Article 3);
2. Collaborate to determine the order in which circuits are energized in the event of future transmission-related outages (Article 4);
3. Develop a mutually acceptable Service Upgrade Plan for submission to the Commission (Article 5);
4. Negotiate a mutually acceptable 25-year franchise for Citizens (Article 8).

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D. The City will dismiss its complaint in the above-captioned docket with prejudice (Article 10).

AGREEMENT

The Parties agree as follows:

1. Customer Payments

To compensate Citizens' Santa Cruz County electric customers (including customers located within the City of Nogales) for the inconvenience and miscellaneous expenses resulting from electric outages before the date of this Agreement, Citizens will pay each customer as damages, the sum of \$15, as provided in this Article 1. Citizens has previously paid a lump sum to the City of \$188,700.00 (equal to \$15 times the number of Citizens' Santa Cruz County electric customers as of January 31, 1999.) Citizens has also previously provided the City a mailing list containing each customer's name and billing address. The City will distribute \$15 to each listed customer. Payments made under this section are separate from any that a customer might receive under Section 2, below.

The City recognizes that in the era of electric deregulation, Citizens' mailing list consists of proprietary, commercially-sensitive information. Accordingly, the City will:

EXHIBIT

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- a) keep Citizens' customer list confidential;
- b) use it for no other purpose than to carry out its obligations under this Section;
- c) make no copies except as necessary for that purpose; and
- d) return the list, together with any copies, to Citizens once those obligations are carried out.

2. Claims Resolution Procedure

After the City distributes the damage payments described in Section 1, Citizens will promptly mail to all its Santa Cruz County electric customers a copy of the damage claim form previously submitted to the City, together with (i) the instructions that were prepared by the City and (ii) a listing of all significant power outages occurring in Santa Cruz County since July 1998, by date, location, time and duration. Customers will be instructed where to send any claims for damages and the deadline (at least 45 days after receipt) for submitting claims. Customers will also be instructed that if Citizens and the customer are unable to resolve the disputed claim, the claim will be submitted to a neutral third-party arbitrator, acceptable to Citizens and the City, for prompt resolution. The third party's decision will be final.

At the time the damage claim forms are mailed, Citizens will also place a one-quarter page advertisement in appropriate local media that includes a copy of the form and accompanying instructions. Citizens will repeat the advertisement, approximately three weeks after the initial publication. Beginning approximately two weeks after the forms are sent out, Citizens will include a bill insert with bills rendered during its next billing cycle to remind customers of the deadline for submitting claims. Forms and instructions will also be made available in all bill-paying offices.

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3. Citizens Advisory Council

The City and Citizens will work to promptly create a Citizens Advisory Council ("CAC"). The CAC will be made up of a representative from Citizens, a representative from the City and other members representing various customer constituencies. The Commission Staff will be encouraged to participate as a full member.

The CAC will meet regularly (as agreed by its members) to discuss electric and gas service issues, upcoming Commission filings and other topics of mutual interest such as electric deregulation and demand-side management. The CAC will also assist Citizens in evaluating alternatives for long-term electric reliability in Santa Cruz County, such as a second transmission line, and recommend a preferred alternative to Citizens and the Commission.

4. Back-up Generation

Citizens will collaborate with the City to determine the initial order in which circuits are energized in the event of an outage on the Western Area Power Administration line or Citizens' 115 kV sub-transmission line that requires Citizens' gas-fired turbines to be energized. The purpose of this collaboration is to ensure that the highest-priority circuits (such as hospitals, utilities, and public services) come on-line first. This topic will also be periodically reviewed by the CAC. In collaboration with the CAC, Citizens will evaluate whether to keep generation in spinning reserve during inclement weather. The City will support any amendments to Citizens' current air quality permit that are needed to accommodate any resulting increased usage of the gas-fired turbines.

5. Citizens' 1996-2001 Service Upgrades

Citizens will prepare a detailed summary of all activities taken and funds expended to improve service quality in Santa Cruz County from January 1, 1996, to the date of the summary ("Service Upgrade Plan"). The Service Upgrade Plan

will also include activities to be taken and funds to be expended during the balance of 1999, and the years 2000 and 2001. Supporting detail will be included in an Appendix or Appendices to the Service Upgrade Plan.

Citizens will submit a draft Service Upgrade Plan for comments to the City and the Residential Utility Consumer Office ("RUCO"). RUCO is an independent state agency, funded by assessments upon Arizona's utilities that is charged with representing the interests of residential utility consumers in regulatory proceedings before the Commission. RUCO employs a knowledgeable and experienced staff, including Prem Bahl, formerly the Commission's chief electrical engineer.

Citizens will promptly respond to any requests for information received from the City or RUCO concerning the Service Upgrade Plan or other issues of electric service quality. RUCO will independently evaluate whether the activities and expenditures described in the Service Upgrade Plan are and will be adequate to provide the residents of Santa Cruz County with safe, reliable, high quality electric service.

Citizens, the City, and RUCO will then develop a mutually-acceptable final Service Upgrade Plan. At RUCO's request, Citizens will compensate RUCO for its expenses associated with reviewing and commenting on the Plan. In the Commission dockets that are addressing Citizens' requested separation into two separate companies ("Citizens' Separation Dockets"¹), the Commission has asked Citizens to file its plan to address Santa Cruz County electric service issues.

¹ In The Matter Of The Joint Notice Of Intent Of Citizens Utilities Company, Citizens Telecommunications Of The White Mountains, Navajo Communications Company, Inc., Citizens Utilities Rural Company, Inc., Citizens Telecommunications Company, Sun City Sewer Company, Sun City Water Company, Sun City West Utilities Company, Citizens Water Service Company Of Arizona, Citizens Water Resources Company Of Arizona, Tubac Valley Water Company, Inc., And Electric Lightwave, Inc. To Organize A Public Utility Holding Company And For Related Approvals Or Waivers Pursuant To R14-2-801, Et Seq., Docket Nos. E-01032A-98-0611, T-03214A-98-0611, T-02115B-98-0611, T-01954B-98-0611, T-02755A-98-0611, SW-2276A-98-0611, W-01656A-98-0611, WS-02334A-98-0611, W-03454A-98-0611, W-03455A-98-0611, W-01595A-98-0611, T-03054A-98-0611.

Citizens will file the final Service Upgrade Plan for approval in Citizens' Separation Dockets.

6. Low-Income Relief

Mayor Cesar Rios and other concerned Nogales citizens have been providing emergency relief to assist low-income residents obtain and retain utility services, food, housing, and other basic human needs. Citizens will donate \$30,000 in cash and \$20,000 in in-kind services to assist this noteworthy effort. The City will formalize Mayor Rios' outreach by creating a charity that will be qualified under IRS section 501(c)(3).

Within 30 days of the Parties' execution of this Revised Settlement Agreement, Citizens will provide \$15,000 of the cash donation. The balance of the cash donation will be provided within 30 days of the charity's qualification under section 501(c)(3). Based upon availability of materials and personnel, the in-kind services will be provided as needed during the one-year period following the Parties' execution of this Revised Settlement Agreement.

7. Economic Development

The City intends to create an Economic Development Roundtable to develop needed infrastructure, attract new commercial and industrial businesses and to apply for and receive federal and state grant money. As seed money for the Roundtable, Citizens has contributed \$150,000. Citizens will contribute an additional \$100,000 by January 31, 2000. The Roundtable is expected to be self-sufficient by the beginning of the year 2001. Citizens will provide one representative to the Roundtable. During the period 1999-2000, Citizens will also fund two economic development trips within North America (up to one week), for up to four Roundtable representatives each trip.

Working with the Roundtable and the CAC, Citizens will develop new-business-incentive-rate tariffs intended to attract new businesses to Santa Cruz

County and will evaluate appropriate changes to existing commercial and industrial tariffs. Any resulting changes will be filed with the Commission for approval.

8. Franchise

Citizens is presently operating in the City of Nogales without a franchise. In response to Citizens' good-faith compliance with the terms of this Agreement, the Parties will work together to negotiate a mutually acceptable, 25-year franchise to submit to City voters for their approval.

9. Educational Support

A skilled, knowledgeable work force will be a key to Santa Cruz County's success in the 21st century. Following the Parties' execution of this Revised Settlement Agreement, the City and Citizens will work together to develop an educational assistance program to assist worthy Santa Cruz County high-school seniors attend the Arizona college of their choice. Each year, the program will select one County senior for a four-year, interest free loan to assist with tuition, books, and miscellaneous college expenses. If, following graduation, the student returns to Santa Cruz County to live and work, the loan will be forgiven. Citizens will contribute \$3000 per year, per student, toward this program. Other contributions will be solicited from other benefactors to expand this program even further, such as to cover some portion of room and board, graduate school, or vocational programs.

10. Miscellaneous


This Revised Settlement Agreement resolves all outstanding claims and issues that were brought or might have been brought in Docket No. E-01032B-98-0621. The City will expeditiously move to dismiss its Complaint in this docket with prejudice. Citizens' activities under this Revised Settlement Agreement remain subject to the continuing jurisdiction of the Commission, by virtue of Citizens' status as a public service corporation under Arizona law.

This Revised Settlement Agreement is a compromise and settlement of disputed claims and issues. By signing this Revised Settlement Agreement, neither Party admits any liability in respect to any matter. Further, neither of the Parties compromises or otherwise waives the positions they have taken or might take on any issue.

This Revised Settlement Agreement binds the successors and assigns of the Parties. The provisions of this Revised Settlement Agreement are not severable.

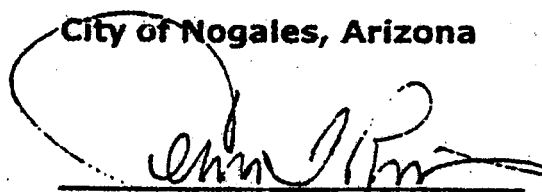
ACCEPTED:**Citizens Utilities Company**

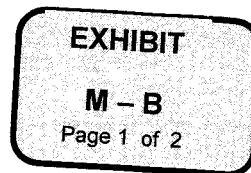
Dated June 1st, 1999


J. Michael Love
President, Citizens Utilities Company
Public Services Sector

City of Nogales, Arizona

Dated June 1st, 1999


Cesar Rios
Mayor, City of Nogales



Marshall Magruder

From: "Frances Romero" <fromero@nUSD.k12.az.us>
To: <marshall@magruder.org>
Sent: Monday, December 17, 2007 2:26 PM
Attach: Citizen Energy 1 Mr. Clark.doc
Subject: Citizen Utilities Scholarship

Good afternoon Mr. Marshall,

My name is Frances Romero, guidance secretary and scholarship coordinator for Nogales High School. Attached you will find information requested by Mr. Clark regarding the Citizen Utilities Scholarship. If you need any other information about the past scholarship or our current program, please do not hesitate to contact me.

Frances Romero
NHS Guidance/Scholarship Coordinator
(520) 377-2021 Ext. 7710

The Citizen Energy Scholarship was offered thru the Nogales Educational Foundation with no criteria. The recipients were selected by an anonymous committee made up of NHS staff and administrators and the presenter was always Ernie Ojeda.

Here is information on the recipients:

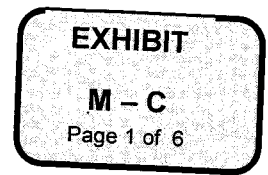
Citizen Energy Scholarship:

2003- \$2,500 Evelina Gonzales	Attending University of Miami
\$1,000 Nicole Naff	Will graduate this December from the UofA with a dual degree in Math & Bio Chemistry. She plans on continuing grad school in Washington.
2002- \$3,000 Elizabeth Peters	Graduate of University of New Orleans with a degree in English/Spanish. Elizabeth is on her way to Spain to teach English.
2001- \$3,000 Brian Federico	Graduate of Lewis & Clark University with a degree in English/Spanish. Brian is Assistant to Dean of Admissions at Lewis & Clark.
2000- \$3,000 Daniel Moran	Graduate of Arizona State University with a degree in Political Science. Masters in Communication from Boston University.

Jose Cañez Memorial/Citizen Energy:

2000 - \$1,250 Javier Favela	Arizona State University
1999 - \$1,250 Adelina Cripe	McPherson College in Kansas

**UNS ELECTRIC, INC.'S RESPONSE TO
MR. MAGRUDER'S SECOND SET OF DATA REQUESTS
DOCKET NO. E-04204A-06-0783
June 19, 2007**



MM DR 2.6

A Settlement Agreement filed under Docket No. E-01032B-09-0621, as Exhibit A to ACC Decision 61793, "Revised Settlement Agreement Between the City of Nogales, Arizona, and Citizens Utilities Company," resolved issues which arose under the prior Complaint by the City of Nogales against Citizens before the ACC. ACC Decision 62011 reaffirmed Decision 61793. This Settlement Agreement provided compensation to the City and its customers for past damages by funding certain items including

- (1) Santa Cruz County economic-development efforts,
- (2) funding four-year, interest free, [\$3,500 per year up to four years] loans for Santa Cruz high school graduates that will be forgiven if the student returns to live and work in the County, and
- (3) improved electrical service and improved community relations by the creation of a Citizens Advisory Council and collaborate to determine the order in which circuits are energized in the event of future transmission-related outages and develop a mutually acceptable Service Upgrade Plan for submission to the Commission.

As a part of the agreement, the City dismissed its complaint in this docket with prejudice.

- a. Does UNS Electric acknowledge that the compensation obligations under this ACC Order pertain to the existing Company?
- b. If not, please provide all document related to deletion of any of the obligations of the City of Nogales-Citizens Settlement Agreement, in particular (1) to (3) as the others appear completed, from being UNS Electric obligations to fulfill.
- c. For (1) above, how much "seed" money" for economic development was provided to the Citizens Advisory Council and an Economic Development Roundtable to "develop new-business incentive-rate tariffs intended to attract new business to Santa Cruz County?"
- d. For (1) above, has the utility reported the results of an evaluation of "appropriate changes to existing and commercial and industrial tariffs" and submitted same to the ACC for approval?
- e. For (2) above, in Article 9 of the Settlement Agreement, is

**UNS ELECTRIC, INC.'S RESPONSE TO
MR. MAGRUDER'S SECOND SET OF DATA REQUESTS
DOCKET NO. E-04204A-06-0783
June 19, 2007**

EXHIBIT

M - C

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states "Each year, the program will select..." applicants for the annual scholarship [loan] program. In view of this being a continuing cost which would be required to be repaid by the student if they did not return to work in Santa Cruz County, provide the name of each scholarship awardees, year of award, number of years that awardees received the scholarship loans, total loans award per scholarship, and if the awardees returned to live or not live in the County, and the loan amount forgiven for each scholarship.

- f. Does the Company publish announcements about this excellent scholarship loan program and has the company any follow-up on the success or failure of this important program for Santa Cruz County?
- g. For (2) above, please list the annual cost for scholarships for each year since inception to present.
- h. For (2) above, please provide a list of local contacts used by UNSE to coordinate this program.
- i. For (3) above, provide the status of the economic development activities initiated since this ACC Order and any improved communications since the creation of the Citizens Advisory Council.
- j. For (3) above, provide the amount of initial "seed" money provided to the Citizens Advisory Council and an Economic Development Roundtable. Has any additional money been provided to these and, if so, how much and when?
- k. For (3) above, are the "new-business incentive-rate tariffs" included in this rate case?
- l. For (3) above, show how the proposed business tariffs will "attract new business to Santa Cruz County" and, if similar impacts are expected, for Mohave County.
- m. For (3) above, please provide copies of all Citizens Advisory Council (CAC) agenda, minutes, and actions accomplished during these meetings.
- n. For (3) above, has the CAC discussed the UNSE and UNSG demand side management plans and Time of Use (TOU) impacts, as proposed in these rate cases? If so, please provide any UNSE documentation presented at these meetings concerning this rate case.
- o. For (3) above, are the CAC meetings still being "regularly

**UNS ELECTRIC, INC.'S RESPONSE TO
MR. MAGRUDER'S SECOND SET OF DATA REQUESTS
DOCKET NO. E-04204A-06-0783
June 19, 2007**

held"? If not, provide all documentation that relieves the Company for holding these' meetings.

- p. For (3) above, please provide the "order of circuits after transmission outages" plan.

RESPONSE:

UNS Electric objects to this data request, as it is unduly burdensome and outside the scope of this rate case.

**UNS ELECTRIC, INC.'S RESPONSE TO
MR. MAGRUDER'S THIRD SET OF DATA REQUESTS
DOCKET NO. E-04204A-06-0783
July 16, 2007**

MM DR 3.10

UNSE objected to MM DR 2.6 in your response, which is re-worded below

- a. Does UNSE consider it is required to comply with ACC Order No. 61793 and the Settlement Agreement between Citizens and the City of Nogales?
- b. What has UNSE accomplished since 2003 to meet the economic development efforts including establishing "new-business incentive tariffs" in this rate case?
- c. What have been the annual costs since 2003 for the annual scholarship-loan mandated by ACC Order No. 61793?
- d. How many students have returned to Santa Cruz County so that the loan was absorbed by UNSE?
- e. What have been the Citizens Advisory Council (CAC) efforts in improving community relations since 2003?
- f. Has the CAC reviewed and provided inputs to UNSE about the ongoing options for Demand-Side Management, as the Nogales Settlement Agreement indicated this area is one of interest for the CAC?
- g. What have been the annual costs to comply with ACC Order No. 61793 since 2003?
- h. If UNSE wants to respond to any part of MM DR 2.6, please do here or indicate no.

RESPONSE:

UNS Electric continues to object to this data request, as it is unduly burdensome and outside the scope of this rate case.

**UNS ELECTRIC, INC.'S RESPONSE TO
MR. MAGRUDER'S SECOND SET OF DATA REQUESTS
DOCKET NO. E-04204A-06-0783
June 19, 2007**

MM DR 2.8

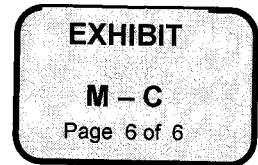
Does UNSE have any statements from the ACC Compliance Officer showing compliance with any of the below ACC Orders? If so, provide all related compliance documentation and reports including the Company's annual cost to comply.

- a. ACC Order 61383
- b. ACC Order 61793
- c. ACC Order 62011
- d. ACC Order 64356
- e. ACC Order 66028
- f. ACC Order 66615
- g. ACC Order 67151
- h. ACC Order 67506
- i. ACC Order 67508
- j. Any other ACC Orders that require compliance, and impact UNSE rates or capital improvements since 11 August 2003
- k. What has been the annual costs since 2003 to comply with each of these ACC and other ACC orders (in j above)?

RESPONSE:

UNS Electric objects to this data request, as it is unduly burdensome and outside the scope of this rate case.

**UNS ELECTRIC, INC.'S RESPONSE TO
MR. MAGRUDER'S THIRD SET OF DATA REQUESTS
DOCKET NO. E-04204A-06-0783
July 16, 2007**



MM DR 3.12

UNSE objected to MM DR 2.8 in your response, which is re-worded below.

- a. What has been the estimated total cost to comply with the ACC Orders listed in MM DR 2.8?
- b. Do any of these ACC Orders appear to require excessive efforts to comply, does UNSE have any suggestions or recommendations to "streamline" these reports and compliance documentation?
- c. Do any of these compliance reports lend to combination with others that this rate case could order to facilitate reporting while retaining, at least, the minimum reporting requirements now required? If so, please provide these so they might be included as recommendations in the resulting order for this rate case.
- d. Base on "b" and "c" above, what would UNSE estimate the annual savings to be is such streamline was implemented?
- e. If UNSE wants to respond to any part of MM DR 2.8, please do here or indicate no.

RESPONSE:

- a.-d. UNS Electric continues to object to this data request as it is irrelevant to, and outside the scope of, this rate case.
- e. No.

RESPONDENT:

Legal Department

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ATTACHMENT IV

CITIZENS UTILITY COMPANY

POLE AND CABLE REPLACEMENTS SANTA CRUZ ELECTRIC DISTRICT 1999-2003

EXHIBIT

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	Pole Replacements					
	# of Poles	1999	2000	2001	2002	2003
1 Nogales West area	75	300,000	0	0	0	0
2 Nogales West north area	75	90,000	30,000	30,000	30,000	30,000
3 Recondutor Mariposa Industrial Park	75	90,000	75,000	0	0	0
4 Downtown Southeast	300	360,000	120,000	120,000	120,000	120,000
5 Downtown Northwest	300	360,000	120,000	120,000	120,000	120,000
6 Downtown Southwest	500	474,000	200,000	200,000	200,000	200,000
7 Downtown Northeast	300	360,000	120,000	120,000	120,000	120,000
8 Bestus Estates	150	180,000	60,000	60,000	60,000	60,000
9 Valle Verde	150	180,000	60,000	60,000	60,000	60,000
10 Chula Vista	50	60,000	20,000	20,000	20,000	20,000
11 Activate Circuit 6242	100	180,000	60,000	60,000	60,000	60,000
12 Circuit 6241	50	60,000	20,000	20,000	20,000	20,000
13 Meadow Hills North	75	90,000	30,000	30,000	30,000	30,000
14 Meadow Hills South	75	90,000	30,000	30,000	30,000	30,000
15 Transmission Line	20	320,000	120,000	120,000	120,000	120,000
16 Highway 82	250	275,000	120,000	120,000	120,000	120,000
17 Old Tucson Road	10	25,000				
18 Rio Rico Highway Crossings		128,000				
19 Rio Rico Industrial Park	25	100,000				
20 Flux Canyon area	500	600,000	200,000	200,000	200,000	200,000
	3,080	\$4,320,000	\$1,265,000	\$1,190,000	\$1,190,000	\$1,190,000

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Cable Replacements

	Total (ft.)	1999	2000	2001	2002	2003
1 Mariposa Manor	7,677	61,416	61,416	61,416	61,416	61,416
2 Monte Carlo	12,040	96,320	96,320	96,320	96,320	96,320
3 Rio Rico U-3	28,160	225,280	225,280	225,280	225,280	225,280
4 Preston Trailer Park	3,633	29,064	29,064	29,064	29,064	29,064
5 Tubac Country Club	6,900	55,200	55,200	55,200	55,200	55,200
6 Tubac Valley Country Club	4,300	34,400	34,400	34,400	34,400	34,400
7 Palo Parado	13,530	108,240	108,240	108,240	108,240	108,240
8 Empty Saddle Estates	8,180	65,440	65,440	65,440	65,440	65,440
9 Mt Hopkins	52,800	422,400	422,400	422,400	422,400	422,400
10 Meadow Hills	15,840	126,720	126,720	126,720	126,720	126,720
11 Canyon Del Oro/Vista Del Cielo	4,500	36,000	36,000	36,000	36,000	36,000
12 Rio Rico Resort	1,828	14,624	14,624	14,624	14,624	14,624
	159,388	\$1,310,104	\$1,275,104	\$1,275,104	\$1,275,104	\$1,275,104

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Underground Cable Replacements

No.	Project	Estimated Cost
1	Mariposa Manor	61,416
2	Monte Carlo	48,160
3	Rio Rico U-3	327,560
4	Preston Trailer Park	29,064
5	Tubac Country Club	55,200
6	Tubac Valley Country Club	34,400
7	Palo Parado	54,120
8	Empty Saddle Estates	65,440
9	Mt Hopkins	457,400
10	Meadow Hills	126,720
11	Canyon Del Oro/Vista Del Cielo	36,000
12	Rio Rico Resort	<u>14,624</u>
		1,310,104

O/H Projects

No.	Project	Estimated Cost
1	Nogales West area	300,000
2	Nogales West north area	90,000
3	Reconductor Mariposa Industrial P	90,000
4	Downtown Southeast	360,000
5	Downtown Northwest	360,000
6	Downtown Southwest	474,000
7	Downtown Northeast	360,000
8	Beatus Estates	180,000
9	Valle Verde	180,000
10	Chula Vista	60,000
11	Activate Circuit 6242	180,000
12	Circuit 6241	60,000
13	Meadow Hills North	90,000
14	Meadow Hills South	90,000
15	Transmission Line	320,000
16	Highway 82	275,000
17	Old Tucson Road	25,000
18	Rio Rico Highway Crossings	126,000
19	Rio Rico Industrial Park	100,000
20	Flux Canyon area	<u>600,000</u>
		4,320,000

Upgrade Projects

No.	Project	Estimated Cost
1	Telephone System	140,000
2	Capacitors	230,000
3	SEL Relays	150,000
4	Normal Capital Budget	<u>2,190,000</u>

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5	Valencia Reclosers & Scada	650,000
6	Valencia Regulator Replacements	224,514
7	Sonoita Substation Regulators	224,514
8	Valencia Breakers	152,000
9	Valencia Regulators Switches	45,000
10	Valencia Busswork	50,000
11	Padmounted Switchgear	12,000
12	Single Phase Reclosers	75,000
13	Remote Monitors	35,000
14	115 kV Breakers	100,000
15	Dispatch Center	150,000
16	Control Air Upgrade	75,000
17	Vacuum Breakers	300,000
18	SCADA Remote in Control Room	<u>30,000</u>
		4,807,000

No.	Project	Estimated Cost
1	Nogales Tap Upgrade	2,100,000
2	Synchronizing Capability	<u>100,000</u>
		2,200,000

Total

12,637,104

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Cable Replacements
Progress to Date

	Estimated Ft	Actual Ft
1 Mariposa Manor	1,535	-
2 Monte Carlo	2,408	2,454
3 Rio Rico U-3	5,632	14,157
4 Preston Trailer Park	727	-
5 Tubac Country Club	1,380	-
6 Tubac Valley Country Club	860	7,290
7 Palo Parado	2,706	-
8 Empty Saddle Estates	1,836	-
9 Mt Hopkins	11,435	-
10 Meadow Hills	3,168	-
11 Canyon Del Oro/Vista Del Cielo	900	1,840
12 Rio Rico Resort	368	-
	<u>32,753</u>	<u>25,741</u>

Pole Replacements
Progress to Date

	Estimated Number	Actual Number
1 Nogales West area	75	28
2 Nogales West north area	15	28
3 Recondutor Mariposa Industrial Park	1	1
4 Downtown Southeast	60	74
5 Downtown Northwest	60	115
6 Downtown Southwest	100	91
7 Downtown Northeast	60	20
8 Beatus Estates	-	-
9 Valle Verde	30	106
10 Chula Vista	2	-
11 Activate Circuit 6246	-	-
12 Circuit 6241	10	-
13 Meadow Hills North	15	-
14 Meadow Hills South	15	-
15 Transmission Line	2	-
16 Highway 82	60	148
17 Old Tucson Road	10	9
18 Flux Canyon area	100	-
19 Rio Rico Industrial Park	1	16
	<u>616</u>	<u>634</u>

INFO - NO - 0.50

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1999 System Improvement

Santa Cruz District

SEP-01-2000 10:00 AM

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INTRODUCTION

Valencia Substation Improvements

Introduction

Site Structure

15-kV Breakers

Voltage Regulation

Protective Relaying and Controls

Breaker Controls

Sonoita Substation Improvements

Introduction

Voltage Regulation

Controls and Substation Building

Installation of 115-kV Sectionalization Equipment

Kantor Substation Improvements

Introduction

Installation of 115KV Sectionalization Equipment

WAPA Nogales Tap Upgrades

Introduction

System Synchronization Equipment

Nogales Tap Switching Station

Distribution Circuits Improvements

Introduction

Overhead Circuits

Underground Circuits

Generation System Improvements

Introduction

General Electric System Study

Voltage Regulator Replacement

DC Power System Improvements

Air Blast Circuit Breaker Replacement

Starting Ratchet Upgrade

Protective Relaying Improvement

0400 • NOC • OFU

Circuit 7201 out of the Kantor substation. Power Engineers is designing a plan for incorporating the circuit switcher into the Kantor substation.

Distribution Circuits Improvements

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Introduction

The distribution system improvements are an acceleration of work that was begun in 1994. These projects include the replacement of poles and underground cable. In 1994, pole replacements were concentrated in the northern part of Santa Cruz County. Some of the overhead work involves splitting circuits that share poles, in one case it involves the activation of an additional circuit in Nogales. Underground cable replacements are targeted at reducing outage hours in areas that have experienced frequent outages.

Overhead Circuits

The pole replacements are mainly concentrated in the Nogales area. These poles have reached the end of their life cycle. Some of the pole replacements involve the relocation of circuits, as in the case of Circuits 6241 and 6246. Circuit 6241 feeds the west-side of Nogales (and feeds the hospital). Circuit 6241 shares a pole with Circuit 6246. By relocating a portion of 6241, Citizens can reduce the stress on the poles and eliminate potential outages due to structural failures. Activation of Circuit 6246 will allow Citizens to split the load on the west-side of Nogales, and increase the ability to back feed 6241 in the event of damage.

A major portion of the pole replacements will be done along Highway 82 and into the mountains in the Lochiel area. These poles are also at the end of their useful life cycle. Along with pole replacements, Citizens is utilizing a gas right of way to bring in a loop feed into the Lochiel area. This loop will allow Citizens to sectionalize and isolate damaged portions of line, thereby keeping the highest number of customers in service.

Underground Circuits

Underground cable replacements are concentrated in Rio Rico and Tubac. The Rio Rico Urban 3 area was installed in the early 1970's. This cable was directly buried and is ending its useful life cycle. A significant number of outages occur in this area. Smaller sections of cables need to be replaced in other subdivisions, but not as much as in the above two subdivisions.

A significant portion of the cable replacements involves the underground feed to the top of Mount Hopkins. This cable was installed by a contractor in the 1970's, and was also direct buried. This cable has numerous faults. When a fault occurs, locating the faulted section requires an entire crew. It should be noted that because this part of the county is so far from the rest of the service territory, if

there is an outage that requires the crew from Nogales, it takes a minimum of an hour for them to get there.

The major portion of the replacements in Nogales are in trailer parks. These parks also have cable that was direct buried and have numerous faults. The older sections of the Meadow Hills area has the same type of cable installation. Some faults have occurred in this area, and some cable has been replaced as well.

Generation System Improvements

Introduction

The Hitachi/General Electric Frame 5 Combustion turbines were retrofitted with new control systems during 1997. The new controls systems included advanced microprocessor based sequencing and governor controls. In addition, increased historical data recording was incorporated to facilitate troubleshooting and compliance reporting. The controls supplier provided a complete combustion controls system, ancillary equipment needed for gaseous and liquid fuel control, as well as water injection. The result of these upgrades was an approximately 30% increase in generator output ratings on peak. The capacity upgrade, when integrated with the current APS purchase power contract, realized over \$500,000 of incremental capacity credits. This flowed through to customers as lower purchased power costs. The following is a list of the additional improvements that are scheduled or have been completed in 1999.

General Electric System Study

One of the areas needing further analysis following the outages last year was the difficulty of picking up load initially following a black start scenario. Testing of the controls systems have shown no apparent problems. It appears there is an issue of system voltage imbalance or stability during load restoration in an island mode. The company has contracted with the General Electric Company ("GE") to simulate this situation on the turbines and examine the voltage regulator response to high voltage transients. This study will focus on the impacts of system voltage support equipment on system voltage and frequency levels during restoration activities. In addition, GE will be providing technical assistance in replacing protective relays and voltage regulators on the units.

Voltage Regulator Replacement

One of the final control system improvements will be the installation of a new voltage regulator system on each of the turbines. The present systems will be replaced with solid state devices. This will improve regulator response and improve regulator maintainability and reliability.